

Consolidated Financial Statements for the Year Ended March 31, 2020
FY2020(April 1, 2019 - March 31, 2020) [UNAUDITED]

Company name: Takara Holdings Inc.
 Stock exchange listing: Tokyo Stock Exchange (1st section)
 Code Number: 2531
 URL: <https://www.takara.co.jp/>
 Company representative: Mutsumi Kimura, President
 Contact: Masakazu Usami, General Manager of Financial & Investor Relations Dept.
 TEL: (075)241-5124

Scheduled date of general shareholders' meeting: June 26, 2020
 Scheduled date of starting delivery of dividends: June 29, 2020

Notes: 1. The accompanying financial statements have been prepared in accordance with accounting principles and practices generally accepted in Japan.
 2. Amounts are rounded down to the nearest million yen.

1. Results for the year ended March 31, 2020(April 1, 2019 – March 31, 2020)

(1) Consolidated Operating results

Note: Percentages indicated changes from the previous fiscal year.

	Year ended March 31, 2020		Year ended March 31, 2019	
	(Millions of yen)	(%)	(Millions of yen)	(%)
Net sales	281,191	1.4	277,443	3.5
Operating income	15,836	(11.1)	17,804	14.0
Ordinary income	16,269	(11.4)	18,359	14.1
Net income (loss) attributable to owners of the parent	8,980	(13.7)	10,411	(5.6)
Net income per share (Yen)	45.11		52.15	
Fully diluted net income per share (Yen)	-		-	
Return on equity		6.1		7.1
Ordinary income to total assets ratio		5.7		6.4
Operating income to net sales ratio		5.6		6.4
Note: Comprehensive income	6,467	(10.8)	7,249	(53.8)
Reference: Income (loss) from equity method investment	81		36	

(2) Consolidated Financial position

	As of March 31, 2020	As of March 31, 2019
	(Millions of yen)	(Millions of yen)
Total assets	283,882	287,106
Net assets	181,329	179,795
Equity ratio (%)	52.1	51.6
Net assets per share (Yen)	747.39	742.36
Reference: Equity	147,762	148,197

(3) Consolidated Cash flow

	Year ended March 31, 2020	Year ended March 31, 2019
	(Millions of yen)	(Millions of yen)
Cash flow from operating activities	11,744	13,508
Cash flow from investing activities	(3,690)	(9,213)
Cash flow from financing activities	(11,653)	(4,243)
Cash and cash equivalents, end of year	44,541	48,580

2. Dividends

	Dividend per share (Yen)		
	Year ended March 31, 2019	Year ended March 31, 2020	Year ending March 31, 2021(Forecast)
First quarter end	-	-	-
Second quarter end	-	-	-
Third quarter end	-	-	-
Year end	18.0	20.00	20.00
Annual	18.0	20.00	20.00
Total dividend (Millions of yen)	3,593	3,954	
Payout ratio (%)	34.5	44.3	77.5
Dividend on equity (%)	2.5	2.7	

3. Forecast for the year ending March 31, 2021 (April 1, 2020 – March 31, 2021)

Note: Percentages indicated changes from the same period of the previous fiscal year.

	Six months ending		Year ending March 31, 2021	
	September 30, 2020			
	(Millions of yen)	(%)	(Millions of yen)	(%)
Net sales	120,000	(12.7)	270,000	(4.0)
Operating income	300	(96.1)	10,000	(36.9)
Ordinary income	400	(94.9)	10,200	(37.3)
Net income attributable to owners of the parent	0	(100.0)	5,100	(43.2)
Net income attributable to owners of the parent per share (Yen)	0.00		25.80	

4. Others

(1) Material changes in subsidiaries during this period

(Changes in specified subsidiaries that caused a change in the scope of consolidation) : No

(2) Changes in accounting policies, accounting estimates and retrospective restatement

1) Changes based on revisions of accounting standard : Yes

2) Changes other than ones based on revisions of accounting standard : No

3) Changes in accounting estimates : No

4) Restatement : No

(3) Number of outstanding shares (common stock)

1) Number of outstanding shares at year end (Treasury stocks are included):

As of March 31, 2020 199,699,743 shares

As of March 31, 2019 201,699,743 shares

2) Number of treasury stocks at year end:

As of March 31, 2020 1,995,163 shares

As of March 31, 2019 2,069,706 shares

3) Average number of outstanding shares:

Year ended March 31, 2020 199,062,788 shares

Year ended March 31, 2019 199,630,226 shares

Contents of the attached document

1. Overview of Financial Results.....	2
(1) Overview of Financial Results for the Fiscal Year under Review.....	2
(2) Overview of Financial Position for the Fiscal Year under Review.....	5
(3) Overview of Cash Flows for the Fiscal Year under Review.....	6
(4) Future Outlook.....	6
2. Basic concept on selection of accounting standards.....	7
3. Consolidated Financial Statements and Primary Notes.....	8
(1) Consolidated Balance Sheets.....	8
(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income.....	10
Consolidated Statements of Income.....	10
Consolidated Statements of Comprehensive Income.....	11
(3) Consolidated Statements of Changes in Net Assets.....	12
(4) Consolidated Statements of Cash Flows.....	14
(5) Notes to Consolidated Financial Statements.....	15
(Notes on Premise of Going Concern).....	15
(Changes in Accounting Policies).....	15
(Segment Information).....	15
(Per Share Information).....	18
(Significant Subsequent Events).....	19

○Supplement for the Consolidated Financial Statements

1. Overview of Financial Results

(1) Overview of Financial Results for the Fiscal Year under Review

In the fiscal year under review, ended March 31, 2020, although the Japanese economy maintained a moderate recovery, personal spending remained weak due to the prolonged effect of the consumption tax hike implemented in October 2019. Overseas, the global economic outlook remained uncertain, due to such factors as the recent growing spread of the COVID-19, in addition to the developments in the trade issues between the U.S. and China and the increasing uncertainties in the Middle East.

Under these economic circumstances, under the Takara Group Medium-Term Management Plan for FY2021-2023, which is the last step towards achieving its long-term Takara Group Vision 2020, the Company has aimed to build up a great number of fields in which it can beat competitors and establish a balanced business foundation able to grow revenues significantly, no matter what environmental changes occur, by further increasing the overseas sales ratio together with having a full product line-up and many products with a competitive edge, both in Japan and overseas.

As a result, in the fiscal year under review, ended March 31, 2020, net sales were up 1.4% year on year to ¥281,191 million. Gross profit fell 0.1% year on year to ¥108,617 million. Operating income decreased by 11.1% year on year to ¥15,836 million while ordinary income fell 11.4% year on year to ¥16,269 million. Net income attributable to owners of the parent decreased by 13.7% year on year to ¥8,980 million.

Results by business segment were as follows.

[Takara Shuzo]

The challenging business environment is expected to continue as the trend of decrease in total consumption of alcoholic beverages persists due to the impact of the decline and aging of the population in Japan among other factors.

In this environment, Takara Shuzo continued to develop products differentiated by its technology in addition to strengthening its product development system in order to respond to diversifying consumer needs in a timely and prompt manner and focusing efforts on increasing competitiveness in the alcoholic beverage and seasoning categories by expanding its product range. Takara Shuzo also worked on improving its profit ratio by increasing the sales ratio of high value added products while striving to strengthen safety assurance and quality control systems for raw materials in order to supply safe and secure products as a food manufacturer.

The segment's sales and other information are as follows:

[Alcoholic beverages]

For *ko*-type shochu, Takara Shuzo worked on expanding sales of *Takara Shochu for Premium Lemon Sour*, which is the perfect shochu base for premium lemon sour made at home. For honkaku shochu, Takara Shuzo renewed and launched *Ikkomon (100% sweet-potato-base)* by carefully aging it in a stone warehouse, which was newly constructed in Kurokabegura, Miyazaki. The product quality features the true flowery aroma of sweet potatoes and a refined, clean taste.

For sake, Takara Shuzo worked on expanding sales of *Sho Chiku Bai Ten* for consumption at home and *Sho Chiku Bai Gokai* for the commercial market. For *Mio*, Takara Shuzo launched *Sho Chiku Bai Shirakabegura Mio ICHIKA Sparkling Sake Ichigo no Yona Kaori, Sparkling Sake Banana no Yona Kaori*, which is a brand of sparkling sake that can be enjoyed on a daily basis.

For light alcohol refreshers, Takara Shuzo paid most attention to expanding sales of dry flavored chu-hi *Takara Shochu Highball*, positioned as a flagship brand. In addition, Takara Shuzo worked on expanding sales of *Takara Gokujo Lemon Sour*, a premium lemon sour that makes use of great tasting cask-aged shochu. Furthermore, Takara Shuzo strove to further vitalize the light alcohol refresher market such as by launching “matcha alcohol refreshers” including *Takara Gokujo Matcha-Hi*, which is a readily enjoyable, authentic “matcha-hi.” As a result, total alcoholic beverages net sales decreased 0.3% year on year to ¥119,645 million.

[Seasonings]

In seasonings, Takara Shuzo worked on developing and nurturing products such as those based on user needs and high value added ones differentiated by its unique technology. For Hon-Mirin and cooking sake, Takara Shuzo renewed packaging design in order to strengthen the emphasis of the culinary effects of “power of alcohol.” Takara Shuzo also continued to work on expanding sales of food seasonings such as fermented seasonings. As a result, overall net sales of seasonings increased 3.1% year on year to ¥24,311 million.

[Raw alcohol, etc.]

Takara Shuzo worked to expand sales of raw alcohol for alcoholic beverages and industrial alcohol. As a result, raw alcohol, etc. net sales increased 3.9% year on year to ¥9,183 million.

As a result, net sales for the Takara Shuzo Group rose 0.4% year on year to ¥153,141 million. Cost of sales increased by 1.5% year on year to ¥92,822 million, due to an increase in the price of raw materials. Consequently, gross profit fell 1.1% year on year to ¥60,318 million. SG&A expenses were up by 2.0% year on year to ¥56,142 million, due to increases in promotion and transportation expenses and other expenses. Accordingly, the Takara Shuzo Group recorded operating income down 29.8% year on year to ¥4,175 million.

(Takara Shuzo International Group)

The Takara Shuzo International Group expanded the Overseas Alcoholic Beverages Business, which entails exports from Japan and the manufacture and sale of alcoholic beverages in overseas locations, and the Japanese Food Wholesale Business in overseas markets, through which it sells Japanese food ingredients to Japanese food restaurants and retailers outside Japan. With global market for Japanese foods growing larger in a trend that is expected to continue, the Takara Shuzo International Group worked on business activities with the aim of establishing itself as a leading company in the global Japanese alcoholic beverages and food markets by letting the world know about the great taste of traditional Japanese alcoholic beverages such as sake and shochu in addition to Japanese food.

The segment’s sales and other information are as follows:

Overseas Alcoholic Beverages Business

The Takara Shuzo International Group increased sales by continuously working on enhancing the product line-up of sake, including local products in the U.S. and China that utilizes the local advantages and high value added export products from Japan. Particularly in China, sales of sake exported from Japan trended strongly. In addition, due mainly to an increase in whiskey, which remained in high demand worldwide, net sales rose 5.6% year on year to ¥11,365 million.

Japanese Food Wholesale Business in overseas markets

Amid the continued expansion of the Japanese food market across the world, the Takara Shuzo International Group continued to work on expanding sales offices and logistics bases. Mutual Trading Co., Inc. in North America, which has the largest market size, and FOODEX S.A.S., Tazaki Foods Ltd., and Cominport Distribución S.L. in Europe, where the Group has the top share, increased sales, and net sales rose 6.4% year on year to ¥73,371 million.

In addition, TOKYO MUTUAL TRADING CO., LTD., which conducts export sales of food products, etc. mainly in the U.S., was newly welcomed into the Group, achieving the enhancement of relationships with procurement sources and expansion of product development function and product supply function for the U.S.

As a result, net sales for the Takara Shuzo International Group rose 6.3% year on year to ¥82,765 million. Cost of sales increased 7.4% year on year to ¥58,882 million due mainly to an increase in procurement costs from exchange rate fluctuations in the Japanese Food Wholesale Business in overseas markets, and gross profit increased 3.8% year on year to ¥23,883 million. SG&A expenses were up 10.1% year on year to ¥20,351 million due mainly to increases in personnel expenses and logistics expenses. Accordingly, the Takara Shuzo International Group recorded operating income down 22.1% year on year to ¥3,532 million.

(Takara Bio Group)

The Takara Bio Group has promoted efforts with the aim of enhancing its standing as a global enterprise and regenerative medical products company and to achieve prodigious growth.

Bioindustry business

As the Takara Bio Group's core business, the Bioindustry business mainly provides products and services that support research and development activities in biotechnology-related fields as such activities become increasingly widespread.

In the Bioindustry business, although sales of scientific instruments declined year on year, sales of mainstay research reagents and contract research services increased year on year, in the fiscal year under review ended March 31, 2020. As a result, net sales in the Bioindustry business increased 2.2% year on year to ¥32,269 million.

Gene Therapy business

In the Gene Therapy business, the Takara Bio Group promoted the clinical development of gene therapy for cancer and other diseases utilizing the oncolytic virus canerpaturev (C-REV); the RetroNectin® Method, a proprietary and highly-efficient gene transduction technology; the RetroNectin® expansion-culture system, a highly efficient lymphocyte propagation technology; and a genetically engineered T-cell therapy utilizing siTCR™ technology among others.

In the fiscal year under review, ended March 31, 2020, the Gene Therapy business recorded net sales that included consideration in relation to a domestic co-development and exclusive sales agreement for NY-ESO-1 siTCR® gene therapy product and CD19-CAR gene therapy product and investigational products based on the agreement. As a result, net sales in the Gene Therapy business were down 6.0% year on year to ¥2,295 million.

As a result, net sales for the Takara Bio Group fell 3.6% year on year to ¥34,565 million. Cost of sales decreased by 11.2% year on year to ¥13,459 million. Consequently, gross profit rose 2.0% year on year to ¥21,105 million. SG&A expenses were down by 2.6% year on year to ¥14,830 million, due to decreases in research and development expenses and other expenses. Accordingly, operating income increased by 14.8% year on year to ¥6,274 million.

(Other)

The Other segment includes the real estate leasing business and the distribution business of Group companies in Japan. Net sales of the Other segment declined 2.9% year on year to ¥31,801 million as Takara Healthcare Inc. was excluded from the scope of consolidation during the previous fiscal year accompanying the sale of all shares in that company. Cost of sales declined by 0.4% year on year to ¥27,733 million. Consequently, gross profit decreased by 16.8% year on year to ¥4,067 million. SG&A expenses fell by 30.2% year on year to ¥2,049 million. As a result, operating income increased by 3.3% year on year to ¥2,018 million.

Breakdown of sales results by product category

Segment	Previous Fiscal Year (From April 1, 2018 to March 31, 2019)	Fiscal Year under Review (From April 1, 2019 to March 31, 2020)	YoY Comparison
Product category	Amount (Millions of yen)	Amount (Millions of yen)	(%)
Takara Shuzo			
Shochu	53,382	49,728	93.2
Sake	21,394	20,488	95.8
Light-alcohol refreshers	38,777	43,023	110.9
Other alcoholic beverages	6,482	6,405	98.8
Alcoholic beverages total	120,037	119,645	99.7
<i>Hon Mirin</i>	13,869	13,980	100.8
Other seasonings	9,714	10,330	106.3
Seasonings total	23,583	24,311	103.1
Raw alcohol, etc.	8,836	9,183	103.9
Total	152,457	153,141	100.4
Takara Shuzo			
International Group			
Overseas Alcoholic Beverages Business	10,758	11,365	105.6
Japanese Food Wholesales Business in overseas markets	68,954	73,371	106.4
Other	62	204	326.8
Elimination of intraGroup transaction on consolidation	(1,940)	(2,175)	—
Total	77,834	82,765	106.3
Takara Bio Group	35,841	34,565	96.4
Reported segment total	266,132	270,472	101.6
Other	32,742	31,801	97.1
Segment total	298,875	302,273	101.1
Sales not allocated to business segments and intersegment transactions	(21,431)	(21,082)	—
Total	277,443	281,191	101.4

Notes: Amounts include alcohol tax but do not include consumption tax.

(2) Overview of Financial Position for the Fiscal Year under Review
(Assets)

At the end of the fiscal year under review, current assets totaled ¥168,820 million, a decrease of ¥6,191 million compared with that at the end of the previous fiscal year. This was primarily due to decreases in cash and deposits of ¥2,150 million and securities of ¥8,736 million and increases in notes and accounts receivable – trade of ¥1,777 million and merchandise and finished goods of ¥1,695 million. Noncurrent assets were ¥115,061 million, an increase of ¥2,966 million compared with that at the end of the previous fiscal year. This was primarily due to an increase in property, plant and equipment of ¥9,258 million, including an increase in buildings and structures, a decrease in intangible assets of ¥1,214 million, including a decrease in goodwill, and a decrease in investment securities of ¥4,422 million.

As a result, total assets were ¥283,882 million, a decrease of ¥3,224 million compared with that at the end of the previous fiscal year.

(Liabilities)

At the end of the fiscal year under review, current liabilities totaled ¥55,466 million, a decrease of ¥2,355 million compared with that at the end of the previous fiscal year. This was primarily due to decreases in short-term loans payable of ¥5,173 million and accrued alcohol tax of ¥2,534 million, and an increase in current portion of bonds of ¥5,000 million due to transfer from noncurrent liabilities. Noncurrent liabilities were ¥47,086 million, a decrease of ¥2,402 million compared with that at the end of the previous fiscal year. This was primarily due to decreases in bonds of ¥5,000 million and deferred tax liabilities of ¥1,328 million, and an increase in lease obligations of ¥3,181 million.

As a result, total liabilities were ¥102,553 million, a decrease of ¥4,758 million compared with that at the end of the previous fiscal year.

(Net Assets)

At the end of the fiscal year under review, total net assets were ¥181,329 million, an increase of ¥1,534 million compared with that at the end of the previous fiscal year. This was primarily due to an increase in retained earnings of ¥3,776 million and a decrease in valuation difference on available-for-sale securities of ¥2,689 million.

As a result, the equity ratio totaled 52.1%, compared with 51.6% at the end of the previous fiscal year.

(3) Overview of Cash Flows for the Fiscal Year under Review

Net cash provided by operating activities decreased ¥1,763 million year on year to ¥11,744 million primarily due to profit before income taxes of ¥15,643 million, depreciation and amortization of ¥7,626 million, increase in notes and accounts payable – trade of ¥1,291 million, increase in inventories of ¥3,159 million, decrease in accrued alcohol tax of ¥2,534 million, and income taxes paid of ¥4,955 million.

Net cash used in investing activities resulted in expenditure of ¥3,690 million, a decrease in expenditure of ¥5,522 million compared with that of the previous fiscal year primarily due to payments into time deposits of ¥6,785 million, proceeds from the withdrawal of time deposits of ¥10,564 million, proceeds from sales and redemption of securities of ¥11,507 million, purchase of property, plant and equipment and intangible assets of ¥12,121 million, and proceeds from sales of investment securities of ¥1,636 million.

Net cash used in financing activities resulted in expenditure of ¥11,653 million, an increase of ¥7,410 million compared with that of the previous fiscal year primarily due to repayments of long-term loans payable of ¥5,160 million, purchase of treasury stock of ¥2,000 million, and cash dividends paid of ¥3,589 million.

As a result, cash and cash equivalents at fiscal year-end, including effect of exchange rate change on cash and cash equivalents, stood at ¥44,541 million, down ¥4,039 million from the previous fiscal year-end.

(4) Future Outlook

The domestic environment surrounding the Takara Group is expected to grow increasingly harsh in the future, including long-term contraction of the alcoholic beverages market resulting from an aging and declining population as well as younger generations consuming less alcohol, a hike in prices of foods and resources due to an increase in the world's population, and personnel expenses and logistics expenses remaining high within Japan. Meanwhile, there are opportunities for growth including the expansion of the bioindustry market and the worldwide Japanese alcoholic beverage and food market overseas. However, tensions are growing in the Middle East and around trade issues including those between the U.S. and China. In addition, responsibilities of companies for creating a sustainable society is further increasing, as responses to various social and environmental issues are being required on a global scale.

In light of these circumstances, the Group has formulated its long-term management vision, TaKaRa Group Challenge for the 100th, with the fiscal year ending March 31, 2026 as its final year, and launched the Takara Group Medium-Term Management Plan for FY2021-2023, a three-year medium-term management plan with the fiscal year ending March 31, 2023 as the final year, as the first step in the Group's action plans.

Going forward, the Takara Group will aim for sustainable growth and a leap forward, while increasing the Takara Group's presence domestically and overseas, by further improving its technical capabilities, product capabilities and brand power, and providing diverse values in the Japanese alcoholic beverage and food market and the life science industry, with a view to achieving "Smiles in Life" in the long-term management vision.

As regards the outlook for results for the following fiscal year, the fiscal year ending March 31, 2021, the Group is forecasting net sales of ¥270,000 million, operating income of ¥10,000 million, ordinary income of ¥10,200 million, and net income attributable to owners of the parent of ¥5,100 million. The details of the consolidated results forecasts and the results forecasts for each segment are described on pages 10/15-13/15 in “Supplement for the Consolidated Financial Statements.”

In addition, for details on the long-term management vision and the medium-term management plan, please refer to “Formulation of the Long-Term Management Vision, TaKaRa Group Challenge for the 100th” announced today.

The outlook for results for the following fiscal year was formulated based on an assumption that the impact of COVID-19 will continue until around July 2020, and actual results may differ due to a variety of factors going forward.

2. Basic concept on selection of accounting standards

The Takara Group has a policy to prepare the Consolidated Financial Statements in accordance with the Japanese GAAP for the time being, taking into consideration comparability of the Consolidated Financial Statements across periods and companies.

As regards the application of the International Financial Reporting Standards, the Takara Group will take appropriate actions, taking into account the situations in Japan and other countries.

3. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Millions of Yen)

	As of Mar. 31, 2019	As of Mar. 31, 2020
Assets		
Current assets		
Cash and deposits	49,415	47,265
Notes and accounts receivable-trade	52,892	54,670
Electronically recorded monetary claims-operating	6,887	6,347
Securities	16,089	7,352
Merchandise and finished goods	40,600	42,295
Work in process	1,341	1,801
Raw materials and supplies	4,093	4,879
Other	4,006	4,515
Allowance for doubtful accounts	(315)	(307)
Total current assets	175,011	168,820
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	52,808	59,337
Accumulated depreciation	(34,101)	(35,189)
Buildings and structures, net	18,706	24,148
Machinery, equipment and vehicles	80,774	86,331
Accumulated depreciation	(68,515)	(69,661)
Machinery, equipment and vehicles, net	12,259	16,670
Land	18,559	18,337
Lease assets	1,025	1,833
Accumulated depreciation	(511)	(586)
Lease assets, net	514	1,247
Construction in progress	6,105	1,531
Other	15,706	21,262
Accumulated depreciation	(11,274)	(13,362)
Other, net	4,432	7,900
Total property, plant and equipment	60,576	69,835
Intangible assets		
Goodwill	12,400	11,750
Other	7,514	6,950
Total intangible assets	19,914	18,700
Investments and other assets		
Investment securities	26,143	21,720
Net defined benefit asset	877	651
Deferred tax assets	1,648	1,807
Other	2,995	2,414
Allowance for doubtful accounts	(60)	(69)
Total investments and other assets	31,603	26,525
Total noncurrent assets	112,094	115,061
Total assets	287,106	283,882

(Millions of Yen)

	As of Mar. 31, 2019	As of Mar. 31, 2020
Liabilities		
Current liabilities		
Notes and accounts payable-trade	16,374	16,440
Short-term loans payable	9,960	4,787
Current portion of bonds payable	-	5,000
Accrued alcohol tax	10,224	7,690
Accrued expenses	5,809	5,511
Income taxes payable	1,879	1,886
Provision for bonuses	2,579	2,513
Provision for sales promotion expenses	1,921	2,094
Other	9,072	9,543
Total current liabilities	57,822	55,466
Noncurrent liabilities		
Bonds payable	25,000	20,000
Long-term loans payable	5,415	5,448
Lease obligations	357	3,538
Deferred tax liabilities	2,907	1,578
Net defined benefit liability	8,757	9,065
Long-term deposits received	5,337	5,363
Other	1,713	2,092
Total noncurrent liabilities	49,489	47,086
Total liabilities	107,311	102,553
Net assets		
Shareholders' equity		
Capital stock	13,226	13,226
Capital surplus	2,417	2,454
Retained earnings	124,788	128,564
Treasury stock	(1,368)	(1,682)
Total shareholders' equity	139,064	142,563
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,814	7,125
Deferred gains or losses on hedges	114	84
Foreign currency translation adjustment	(196)	(1,102)
Remeasurements of defined benefit plans	(599)	(908)
Total accumulated other comprehensive income	9,133	5,199
Noncontrolling interests	31,597	33,566
Total net assets	179,795	181,329
Total liabilities and net assets	287,106	283,882

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income**(Consolidated Statements of Income)**

	(Millions of Yen)	
	FY2019 (Apr. 1, 2018 – Mar. 31, 2019)	FY2020 (Apr. 1, 2019 – Mar. 31, 2020)
Net sales	277,443	281,191
Cost of sales	168,694	172,574
Gross profit	108,749	108,617
Selling, general and administrative expenses	90,945	92,781
Operating income	17,804	15,836
Nonoperating income		
Interest income	234	309
Dividends income	565	601
Other	660	547
Total nonoperating income	1,461	1,458
Nonoperating expenses		
Interest expenses	387	403
Foreign exchange losses	122	255
Other	396	366
Total nonoperating expenses	905	1,025
Ordinary income	18,359	16,269
Extraordinary income		
Gain on sales of investment securities	21	1,130
Gain on sale of businesses	291	-
Other	383	342
Total extraordinary income	696	1,473
Extraordinary loss		
Loss on sales and retirement of non-current assets	318	319
Impairment loss	696	880
Loss on valuation of investment securities	32	260
Provision for environmental measures	-	415
Other	350	223
Total extraordinary losses	1,397	2,099
Income before income taxes and minority interests	17,658	15,643
Income taxes-current	5,443	5,077
Income taxes-deferred	(132)	(125)
Total income taxes	5,310	4,952
Net income	12,347	10,691
Net income attributable to the noncontrolling interest	1,936	1,710
Net income attributable to owners of the parent	10,411	8,980

(Consolidated Statements of Comprehensive Income)

(Millions of Yen)

	FY2019 (Apr. 1, 2018 – Mar. 31, 2019)	FY2020 (Apr. 1, 2019 – Mar. 31, 2020)
Net income	12,347	10,691
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,705)	(2,689)
Deferred gains or losses on hedges	228	(30)
Foreign currency translation adjustment	(3,646)	(1,160)
Remeasurements of defined benefit plans	25	(343)
Total other comprehensive income	(5,098)	(4,223)
Comprehensive income	7,249	6,467
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	6,083	5,046
Comprehensive income attributable to noncontrolling interest	1,166	1,421

(3) Consolidated Statements of Change in Net Assets
 FY2019 (Apr. 1, 2018– Mar. 31, 2019)

(Millions of Yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	13,226	2,219	117,571	(1,367)	131,649
Changes of items during the period					
Dividends from surplus			(3,194)		(3,194)
Net income			10,411		10,411
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock		0		0	0
Purchase of shares of consolidated subsidiaries		197			197
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	197	7,217	(0)	7,414
Balance at the end of current period	13,226	2,417	124,788	(1,368)	139,064

	Accumulated other comprehensive income					Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	11,520	(120)	2,645	(583)	13,461	31,106	176,217
Changes of items during the period							
Dividends from surplus							(3,194)
Net income							10,411
Purchase of treasury stock							(0)
Disposal of treasury stock							0
Purchase of shares of consolidated subsidiaries							197
Net changes of items other than shareholders' equity	(1,705)	235	(2,841)	(16)	(4,328)	491	(3,836)
Total changes of items during the period	(1,705)	235	(2,841)	(16)	(4,328)	491	3,577
Balance at the end of current period	9,814	114	(196)	(599)	9,133	31,597	179,795

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	13,226	2,417	124,788	(1,368)	139,064
Cumulative effects of changes in accounting policies			75		75
Restated balance	13,226	2,417	124,863	(1,368)	139,139
Changes of items during the period					
Dividends from surplus			(3,593)		(3,593)
Net income			8,980		8,980
Purchase of treasury stock				(2,000)	(2,000)
Retirement of treasury stock		(1,686)		1,686	—
Purchase of shares of consolidated subsidiaries		36			36
Transfer to capital surplus from retained earnings		1,686	(1,686)		—
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	36	3,700	(313)	3,423
Balance at the end of current period	13,226	2,454	128,564	(1,682)	142,563

	Accumulated other comprehensive income					Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	9,814	114	(196)	(599)	9,133	31,597	179,795
Cumulative effects of changes in accounting policies						48	123
Restated balance	9,814	114	(196)	(599)	9,133	31,645	179,918
Changes of items during the period							
Dividends from surplus							(3,593)
Net income							8,980
Purchase of treasury stock							(2,000)
Retirement of treasury stock							—
Purchase of shares of consolidated subsidiaries							36
Transfer to capital surplus from retained earnings							—
Net changes of items other than shareholders' equity	(2,689)	(30)	(905)	(308)	(3,934)	1,921	(2,013)
Total changes of items during the period	(2,689)	(30)	(905)	(308)	(3,934)	1,921	1,410
Balance at the end of current period	7,125	84	(1,102)	(908)	5,199	33,566	181,329

(4) Consolidated Statements of Cash Flows

(Millions of Yen)

	FY2019 (Apr. 1, 2018 – Mar. 31, 2019)	FY2020 (Apr. 1, 2019 – Mar. 31, 2020)
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	17,658	15,643
Depreciation and amortization	6,490	7,626
Impairment loss	696	880
Amortization of goodwill	865	847
Increase (decrease) in provision for environmental measures	(2)	408
Interest and dividends income	(800)	(911)
Interest expenses	387	403
Loss (gain) on sales and retirement of non-current assets	27	268
Loss (gain) on sales of investment securities	(21)	(1,128)
Loss (gain) on sale of businesses	(291)	-
Loss (gain) on valuation of investment securities	32	260
Decrease (increase) in notes and accounts receivable-trade	(2,900)	(1,291)
Decrease (increase) in inventories	(5,060)	(3,159)
Increase (decrease) in notes and accounts payable-trade	324	(340)
Increase (decrease) in liquor taxes payable	946	(2,534)
Increase (decrease) in accrued consumption taxes	244	(994)
Increase (decrease) in other current liabilities	868	(595)
Other, net	241	802
Subtotal	19,708	16,188
Interest and dividends income received	782	917
Interest expenses paid	(396)	(405)
Income taxes paid	(6,586)	(4,955)
Net cash provided by (used in) operating activities	13,508	11,744
Net cash provided by (used in) investing activities		
Payments into time deposits	(15,310)	(6,785)
Proceeds from withdrawal of time deposits	14,846	10,564
Purchase of securities	(11,467)	(8,478)
Proceeds from sales and redemption of securities	12,528	11,507
Purchase of property, plant and equipment and intangible assets	(10,671)	(12,121)
Proceeds from sales of investment securities	33	1,636
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	-	350
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(53)	-
Proceeds from transfer of businesses	1,067	-
Other, net	(187)	(365)
Net cash provided by (used in) investing activities	(9,213)	(3,690)
Net cash provided by (used in) financing activities		
Repayments of long-term loans payable	(304)	(5,160)
Purchase of treasury shares	(0)	(2,000)
Cash dividends paid	(3,191)	(3,589)
Repayments of lease obligations	(219)	(641)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(203)	-
Other, net	(323)	(262)
Net cash provided by (used in) financing activities	(4,243)	(11,653)
Effect of exchange rate change on cash and cash equivalents	(812)	(439)
Net increase (decrease) in cash and cash equivalent	(760)	(4,039)
Cash and cash equivalents at beginning of period	49,341	48,580
Cash and cash equivalents at end of period	48,580	44,541

(5) Notes to Consolidated Financial Statements

(Notes on Premise of Going Concern)

No items to report.

(Changes in Accounting Policies)

Overseas subsidiaries that apply U.S. GAAP adopted ASU No. 2014-09 Revenue from Contracts with Customers (“ASU No. 2014-09”) effective from the beginning of the fiscal year ended March 31, 2020. The method of recognizing the cumulative impact due to the adoption of the standard on the commencement date of adoption, which is permitted as an interim measure, was employed for the adoption of ASU No. 2014-09.

Accompanying this, revenue is recognized at the time of transfer to the customer of the promised goods or services in an amount that reflects the consideration that the entity expects to be entitled to in exchange for those goods and services.

The impact on the Consolidated Financial Statements from the adoption of this accounting standard is immaterial.

Overseas subsidiaries that apply International Financial Reporting Standards (IFRS) adopted IFRS 16 Leases (“IFRS 16”) effective from the beginning of the fiscal year ended March 31, 2020. The method of recognizing the cumulative impact due to the adoption of the standard on the commencement date of adoption, which is permitted as an interim measure, was employed for the adoption of IFRS 16.

Accompanying this, as a rule, the lessee recognizes all leases as assets and liabilities on the commencement date of adoption.

The impact on the Consolidated Financial Statements from the adoption of this accounting standard is immaterial.

(Segment Information)

1. Overview of Reported Segments

Reporting segments are the segments of the Takara Group for which financial information can be obtained. The Board of Directors, top organization for decision making on Group management, examines such information to determine the allocation of management resources and evaluate the business performance on a regular basis.

The Group consists of the corporate groups centered on the operating companies Takara Shuzo Co., Ltd., Takara Shuzo International Co., Ltd. and Takara Bio Inc.; other businesses; and the Company, which manages the whole group as the holding company. All operating companies develop comprehensive business strategies, covering both domestic and overseas operations, for the goods, products and services that they offer, and work to expand their business operations. Accordingly, the Group has defined three reported segments based on the content of goods, products and services, while taking into consideration the scope of managerial responsibility and the capacity to evaluate business performance. These three reported segments are Takara Shuzo, the Takara Shuzo International Group, and the Takara Bio Group.

Takara Shuzo primarily engages in the manufacture and sale of alcoholic beverages and seasonings in Japan. The Takara Shuzo International Group engages in the export of alcoholic beverages from Japan, the manufacture and sale of alcoholic beverages at overseas locations, and the Japanese Food Wholesale Business in overseas markets. The Takara Bio Group engages in the manufacture and sale of products such as research reagents and scientific instruments as well as contract research services and research and development of gene and cell therapies.

2. Calculation method for net sales, income or loss, assets, and other items of each reported segment

The accounting treatment of reported business segments is generally the same as that explained in “Basis of Presentation of Consolidated Financial Statements.”

The figures for the income of reported segments are based on operating income. Intersegment income is based on the prevailing market price.

3. Net sales, Income (Loss), Assets and Other items by Reported Segment
Previous Fiscal Year (From April 1, 2018, to March 31, 2019)

(Millions of yen)

	Reported Segment				Other (Note: 1)	Total	Adjustment (Note: 2)	Amount recognized in consolidated financial statements (Note: 3)
	Takara Shuzo	Takara Shuzo Internationa l Group	Takara Bio Group	Subtotal				
Net sales								
External customers	151,805	77,573	35,432	264,811	12,627	277,439	3	277,443
Intersegment	651	261	408	1,321	20,114	21,435	(21,435)	—
Total	152,457	77,834	35,841	266,132	32,742	298,875	(21,431)	277,443
Segment income (loss)	5,948	4,532	5,463	15,944	1,954	17,899	(95)	17,804
Segment assets	92,682	68,003	71,040	231,726	19,315	251,041	36,064	287,106
Other items								
Depreciation and amortization	2,248	1,013	2,691	5,953	219	6,172	317	6,490
Amortization of goodwill	—	362	502	865	—	865	—	865
Investment in equity- method affiliates	—	—	—	—	—	—	1,526	1,526
Increase in total fixed assets, property, plant and equipment and intangible assets	3,128	1,162	6,002	10,293	230	10,523	148	10,671

Notes: 1. Other includes business segments that are not part of reported segments, such as the real estate rental business and the transportation business of domestic Group companies among others.

2. Details of adjustment amounts are as follows.

(1) Net sales to external customers are income from business contracting recorded at the Company.

(2) Segment income (loss) comprises intersegment eliminations of ¥99 million and loss of the Company not allocated to business segments of ¥194 million.

(3) Segment assets include assets of the Company not allocated to business segments of ¥59,694 million and other adjustment (principally intersegment eliminations) of ¥(23,629) million. Assets attributed to the Company include surplus funds and long-term investment assets.

(4) Depreciation and amortization primarily comprises depreciation and amortization recognized by the Company.

(5) Investment in equity-method affiliates comprises investments in equity-method affiliates not allocated to business segments.

(6) Increase in total fixed assets, property, plant and equipment and intangible assets comprises increases recognized by the Company.

3. Segment income (loss) has been adjusted to the operating income of consolidated financial statements.

Fiscal Year under Review (From April 1, 2019, to March 31, 2020)

(Millions of yen)

	Reported Segment				Other (Note: 1)	Total	Adjustment (Note: 2)	Amount recognized in consolidated financial statements (Note: 3)
	Takara Shuzo	Takara Shuzo Internationa l Group	Takara Bio Group	Subtotal				
Net sales								
External customers	152,496	82,456	34,563	269,516	11,670	281,186	5	281,191
Intersegment	644	309	1	955	20,131	21,087	(21,087)	—
Total	153,141	82,765	34,565	270,472	31,801	302,273	(21,082)	281,191
Segment income (loss)	4,175	3,532	6,274	13,982	2,018	16,001	(164)	15,836
Segment assets	93,083	75,183	75,009	243,276	19,577	262,853	21,028	283,882
Other items								
Depreciation and amortization	2,736	1,434	2,921	7,093	216	7,309	317	7,626
Amortization of goodwill	—	350	496	847	—	847	—	847
Investment in equity- method affiliates	—	—	—	—	—	—	1,608	1,608
Increase in total fixed assets, property, plant and equipment and intangible assets	5,520	2,696	5,365	13,582	219	13,802	393	14,195

Notes: 1. Other includes business segments that are not part of reported segments, such as the real estate rental business and the transportation business of domestic Group companies among others.

2. Details of adjustment amounts are as follows.

- (1) Net sales to external customers are income from business contracting recorded at the Company.
 - (2) Segment income (loss) comprises intersegment eliminations of ¥57 million and loss of the Company not allocated to business segments of ¥222 million.
 - (3) Segment assets include assets of the Company not allocated to business segments of ¥51,819 million and other adjustment (principally intersegment eliminations) of ¥(30,791) million. Assets attributed to the Company include surplus funds and long-term investment assets.
 - (4) Depreciation and amortization primarily comprises depreciation and amortization recognized by the Company.
 - (5) Investment in equity-method affiliates comprises investments in equity-method affiliates not allocated to business segments.
 - (6) Increase in total fixed assets, property, plant and equipment and intangible assets comprises increases of the Company not allocated to business segments of ¥493 million and intersegment eliminations of ¥(99) million.
3. Segment income (loss) has been adjusted to the operating income of consolidated financial statements.

4. Information on Impairment Loss on Fixed Assets by Reportable Segment
Previous Fiscal Year (From April 1, 2018, to March 31, 2019)

(Millions of yen)

	Takara Shuzo	Takara Shuzo International Group	Takara Bio Group	Other	Intersegment eliminations	Total
Impairment loss	—	—	696	—	—	696

Fiscal Year under Review (From April 1, 2019, to March 31, 2020)

(Millions of yen)

	Takara Shuzo	Takara Shuzo International Group	Takara Bio Group	Other	Intersegment eliminations	Total
Impairment loss	—	—	880	—	—	880

(Per Share Information)

	Previous Fiscal Year (From April 1, 2018, to March 31, 2019)	Fiscal Year under Review (From April 1, 2019, to March 31, 2020)
Net assets per share	¥742.36	¥747.39
Profit per share	¥52.15	¥45.11

Notes 1. Fully diluted profit per share is not presented since there were no potential shares.

2. The basis of calculation of net assets per share is as follows.

	Previous Fiscal Year (As of March 31, 2019)	Fiscal Year under Review (As of March 31, 2020)
Total net assets (¥ million)	179,795	181,329
Amount deducted from total net assets (¥ million)	31,597	33,566
(of which minority interests) (¥ million)	(31,597)	(33,566)
Net assets at term-end related to shares of common stock (¥ million)	148,197	147,762
Shares of common stock at term-end used to calculate net assets per share (1,000 shares)	199,630	197,704

3. The basis of calculation of net income per share and fully diluted net income per share is as follows.

	Previous Fiscal Year (From April 1, 2018, to March 31, 2019)	Fiscal Year under Review (From April 1, 2019, to March 31, 2020)
Net income attributable to owners of the parent (¥ million)	10,411	8,980
Amount not belonging to common shareholders (¥ million)	—	—
Net income related to shares of common stock (¥ million)	10,411	8,980
Average number of shares outstanding during the term (1,000 shares)	199,630	199,062

(Significant Subsequent Events)

(Significant Facility investment)

Takara Bio Inc., a consolidated subsidiary of the Company, has resolved a facility investment in Takara Bio USA, Inc. (TBUSA), its consolidated subsidiary company at the board of directors' meeting held on January 23, 2020, and completed the acquisition of the land and building on May 11 (U.S. time).

1. Reason for facility investment
The reason is that TBUSA utilizes as a new facility. Also, TBUSA plans for relocation at the time of terminating the agreement of the current lease set in August 2021.
2. Outline of facility investment
 - (1) Location San Jose, California, USA
 - (2) Purpose Land, building and interior construction located newly
 - (3) Investment amount About 76 million U.S. dollars
3. Installation time of equipment

May 2020	Completed the acquisition of land and building
2021	Planned for completion of interior construction
2021	Planned for relocation
4. Significant impact on marketing and productivity
The impact of this acquisition on the consolidated results for the fiscal year ending March 31, 2021 is immaterial.

(Conclusion of Significant Agreement)

Takara Bio Inc. (hereinafter "Takara Bio"), a consolidated subsidiary of the Company, concluded a licensing agreement with Tasly Biopharmaceuticals Co., Ltd. (head office: Shanghai, China; hereinafter "Tasly") as of May 11, 2020 to license exclusive development, manufacturing, and sales of the oncolytic virus canerpaturev (C-REV) in China.

Based on this agreement, Takara Bio will transfer the manufacturing technologies for C-REV to Tasly and provide development information. Meanwhile, Tasly will advance clinical development with the aim of launching C-REV in the market within China (including Hong Kong and Macau but excluding Taiwan) as a new anticancer drug.

In addition, in conjunction with the conclusion of this agreement, Takara Bio will receive upfront, annual and milestone payments, according to the development progress. After the market launch, Takara Bio will receive running royalties according to sales, in addition to milestone payments when the sales target is achieved.